

PERFORMANCE REPORT
Monitoring, Verification, and Evaluation Unit - APRP
Quarter Ending December 31, 2000
and
Annual Report for 2000

USAID/EG/AP
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Abt Associates Inc.

Progress-4th quarter

Verification, Tranche IV

Verification work has been completed through field visits, workshop attendance, and gathering of documents. During the month of January the team will carry out the analysis and draft the report. A draft report is expected to be submitted for review by the GOE, USAID and APRP technical assistance teams by the end of January 2001.

During this quarter, Dr. Adel Mostafa met with Gen. Fakhir El Din Ebul Ezz, Chairman of GOEIC in November in connection with the coordination of inspection at the ports (benchmark D.8). He also traveled to Alexandria (in September, with Dr. John Holtzman) and to Port Said and Damietta (on October 1) to meet with the port chairmen and other relevant authorities to ensure that the Unit would be able to obtain the required data on dwell time (D.8). Together with Dr. Gary Ender he met on December 12 with HE Dr. Hassan Khedr to discuss the data required for verification of benchmarks E.1 and E.2. Finally in early January 2001, Dr. Adel and Dr. John Holtzman visited Cairo airport to investigate the situation there with respect to the handling of air cargo.

To verify part of the research/extension benchmark, Dr. Morsy Ali Fawzy traveled to Ismaileya on October 11 to observe the pilot program among producers and exporters. He also attended MISD workshops, and checked for the establishment in the field of a pilot program. For this benchmark he conducted interviews with government employees and interviewed a limited sample of extension personnel and irrigation engineers in the districts selected in each of the governorates. Dr. Morsy also participated in meetings on the analysis of the new farm income data and the production of reports based on these data. Finally, he tracked the progress of MALR in collecting and analyzing gender-disaggregated statistics, including participating in discussions on implementation of the improved program.

Dr. Gary Ender traveled to Luxor and Qena with a MWRI/EPIQ team on November 1-2 to check on progress in benchmarks C1 and C3; discussed progress on all category C benchmarks at MWRI on September 13; attended workshop on revision of Law 12 on November 6 at Conrad Hotel; and attended the presentation on December 7 by RDI's Roger Poulin on valuation of CASP, EAO, and HSU farms for privatization

All MVE Unit staff attended the October 2 APRP meeting to review progress on tranche IV benchmarks.

Verification, Tranche V

The MVE team continued to take part in discussions of the proposed benchmarks and indicators, with emphasis on the verifiability of indicators. These discussions included meetings with USAID on October 25 and on November 15. The Unit suggested various improvements to the proposed indicators, including replacing subjective phrases like “adequate support” with specific financial amounts or with another phrase that captures the essence of the work to be carried out. The Unit also mentioned in which cases verification of the proposed indicators might reveal only changes on paper that could not be verified as results on the ground, in which case the verification report would not be as strong as it might be. In most cases the teams working to accomplish the benchmarks intend to take specific actions on the ground as well.

Impact Assessment

The **private spinners report** by Drs. Holtzman and Mostafa is finished. Its main conclusions are:

The spinning industry was almost entirely dominated by public sector companies until 1996/97, at which point privatization got underway and private investments were made in spinning companies, particularly open-end spinners. The last four years have witnessed changes which are evidence that the MPE privatization program, policy reforms affecting cotton marketing and trade, and overall economic liberalization in Egypt are having a positive impact on the spinning industry in Egypt.

As in many parts of the world, the initial steps in liberalization of the cotton subsector and textile industry did not have an immediate impact. Private investors wait a few years until it has become clear that policy reforms are irreversible, there is evidence that the Government is serious about privatization, and the overall business climate encourages private investment. By the end of the 1999/2000 cotton marketing season, there was sufficient progress on these fronts that private investors had entered and were transforming the domestic trade in seed cotton, the ginning industry, domestic and export trade in lint cotton, and cotton spinning. Driven largely by policy reform, these positive changes also responded to domestic and world market trends and conditions for cotton, yarn and textiles.

The major changes in the Egyptian cotton spinning industry over the past four years were as follows:

- Three public spinners (Unirab, Alexandria S&W, ESCO) had become successful privatized spinners
- Three spinning units of the Sharkeya Spinning and Weaving Company at Minya el Kamh were leased to private investors

- One new private ring spinning company came on stream in Sadat City in 1999
- Nine companies have started open-end spinning since 1997
- In 1999/2000, 29 percent of the Egyptian cotton lint sold to domestic spinners was sold to private firms

A policy report by Dr. John Holtzman updating **progress on privatization and liberalization** in the rice and cotton subsectors is finished. Its main conclusions are:

In the early 1990s, farmers were given the right to sell their paddy to any buyer at freely negotiated prices, rather than being forced to deliver paddy (that was not home consumed) to public milling companies. This led to widespread entry of small traders into the domestic rice market. By 1995, private investors, convinced of the sustainability of rice market reform, began to make significant investments in commercial rice mills, as well as smaller village mills. However, GOE efforts to complete the liberalization process during the late 1990s largely faltered. Evidence of the incomplete ref

- Public and ESA rice mills paid producers premium prices in 1999/2000, using credit obtained early in the marketing season with holding company guarantees, to continue operating inefficient rice milling enterprises
- Export subsidies for rice milled in public mills, in place since 1997, were paid to exporters for the 1996/97 season (at later times) to offset public sector milling costs that exceeded private milling costs. It appears as if these subsidies will be paid for the 2000/01 season.
- No change in the 20-percent tariff on imported rice (plus 5 percent sales tax and 3 percent or so miscellaneous charges), despite APRP efforts. The process by which tariffs are changed probably requires serious consideration. Lowering the tariff would encourage more efficient resource allocation by putting downward pressure on domestic paddy and rice prices, which in turn would lower returns to rice production and area planted to paddy.
- The Rice and Flour Milling Holding Company, not content to let public mills stand idle, intervened in the rice market beginning in 1997/98 in ways that negatively affected private traders and millers.

There have been quite a few positive achievements in cotton/textile subsector liberalization and privatization:

- Three laws enacted in 1994 opened up seed cotton trade and lint cotton export to private companies. By 1999/2000, private traders were buying 45% of the seed cotton crop. The private sector export share reached 25% in 1997/98 and 1998/99
- Two of five public sector ginning companies were privatized in 1996/97.
- One private ginning company, Arabeya Ginning, has been an industry leader in investing in improved cleaning and pressing.
- The election of ten private sector members to the ALCOTEXA Management Committee in late October 2000 signaled the end of public sector dominance of

decisions affecting export prices; as of January 2001, ALCOTEXA has a chairman from the private sector

- Privatization in the spinning industry has included two sales to anchor investors, leases of one or more units of five other companies.

Despite these significant achievements in liberalizing and privatizing the cotton subsector, the subsector remains rather highly controlled, with the GOE continuing to intervene, as of late November 2000, in:

- determining which gins can gin which varieties, though allowing some competition within this restriction;
- setting producer seed cotton prices and maintaining too small price differentials between grades to provide growers with incentives to strive for higher grades
- allocating PBDAC-run sales rings administratively and reversing steady progress in increasing the private share of sales rings in 2000/01 with a system that penalized private sector buyers;
- adhering to the principle of one buyer per PBDAC-run sales ring, with cotton bought at administered prices and the buyer forced to accept all seed cotton;
- setting into-spinning mill lint cotton prices;
- owning about 60% of domestic ginning capacity (with no apparent urgency to privatize this remaining capacity, despite initial success with two privatizations);
- operating six public sector cotton trading companies, which exported over 70 percent of the lint during the four completed marketing years of APRP (through 1999/2000, a year when the public share reached 85.5%);
- forbidding exports of popular long-staple varieties during certain periods in 1999/2000 and establishing export quotas by variety in 2000/01;
- operating public sector spinning companies that dominate the industry, and ensuring that the larger ones have preferential access to Egyptian cotton lint;
- influencing yarn export prices and the allocation of yarn export quotas to firms;
- controlling most imports of cotton lint and their allocation among largely public companies, joint investment companies, and former public companies; and
- influencing lint cotton export price levels, although nominally this is the prerogative of ALCOTEXA.

The study on **short-term forecasting of wheat yield** led by Dr. Morsy is in final draft. Its primary findings and recommendations are:

The needs for reliable and timely statistics on wheat, particularly pre-harvest yield forecasts, have outgrown the capabilities of the present system. The crop-cutting experiment system has remained virtually unchanged for many years. Although past attempts at yield forecasting have been short-lived, the time seems right to begin such a program on a national scale.

There is no current program for forecasting wheat yield before harvest, but EAS has shown a renewed interest in pre-harvest forecasting as a way to improve statistics on wheat. Governorate sampling office staff demonstrated the willingness to learn the new methodology and the ability to carry out the survey procedures when properly equipped and trained. Researchers from the agricultural experiment stations provided valuable training in the characteristics and growth habits of wheat and factors that affect productivity. Their assistance prepared field enumerators to better understand and interpret conditions they saw in the field. The researchers also provided helpful insights into factors that need to be researched in the future as possible indicators of potential yield. Using the methods demonstrated, forecasts can be made as early as the end of January to reliably project final yield.

The recommendations (below) are slanted toward equipping and structuring MALR for crop forecasting. However, the entire statistics program would benefit from their adoption.

- Initiate an intensive training program
- Adopt objective methods for pre-harvest forecasting of wheat yield
- Structure MALR for crop forecasting
 - Organize and train staff for specific functions
 - Establish survey schedules and release dates
 - Select samples at the governorate level
 - Equip governorate offices with computers
 - Enter, review/analyze survey data, and make estimates in governorate offices
 - Publish area estimates earlier to enhance the value of early yield forecasts
 - Provide proper supervision and quality control
 - Refine the program of salary incentives
- Investigate an appropriate sampling plan for crop forecasting
- Expand and strengthen cooperation with other government organizations

MVE will collaborate with GTZ/CSPP on a **seed cotton marketing report** for 2000/01. Dr. Ron Krenz, consultant to GTZ and Drs. Holtzman and Mostafa of MVE will be the authors of the report. This report will be the latest in an annual series of seed cotton marketing studies. MVE already completed field work and data entry for its small trader survey, as well as completing interviews and interview notes in its KuNUZ policy database. Field work is complete and data entry will be completed in January on the spinners survey. This survey was conducted because spinners now take part in buying seed cotton directly. MVE and GTZ will each complete separate parts of the study according to an agreed upon outline and assemble the report. Krenz is expected to arrive at the end of January. Presentation of draft findings is anticipated for early April.

Rice update activities are under way under the supervision of Dr. John Holtzman, with the assistance of MVE consultant Dr. Abdel Rahim Ismail. Among the tasks being undertaken are to:

- Interview traders, millers, exporters, and key GOE officials;

- Work with the Rice Branch, Cereals Industry Chamber in Alexandria in obtaining information on new registered rice mills (structure), millers' observations about rice marketing and policy issues and participants' responses to these (conduct), and prices and export levels (performance);
- Update time series data, particularly for into-mill wholesale paddy prices and rice retail prices;
- Obtain from the Rice, Seed, and Fiber Committee of the Agricultural Commodity Council copies of meeting notes, letters to senior GOE officials, and policy resolutions of the Committee;
- Attempt to obtain information from the Food Industries Holding Company and the chairmen of public and ESA mills on the paddy procurement, operating levels and costs, paddy storage, and sales of these public sector controlled mills; and
- Monitor GOE decrees and policy statements and provide selective translations and summaries of those.

Drs. Holtzman and Abdel Rahim will produce a report later in 2001 that follows up on the December, 1999 *Rice Subsector Baseline Update*.

Monitoring

Data collection is complete for the previously defined indicator series, but some improvements are being made to the indicator database. This has caused a small delay; the report is now expected to be issued in February. One improvement is to convert some cotton trade series to marketing year from calendar year. This will better facilitate the analysis by showing the actual trends in crop utilization more clearly. Other improvements are being made in the presentation of the tables and figures. Official data are not available for some items like employment in spinning and ginning and spinning output of private spinners, so the Unit has to collect these data every year. This was accomplished simultaneously with the field surveys on seed cotton marketing that questioned small traders and spinners, which were carried out by consultants Nabil Sentricy, Dr. Ezz Abdel Kader, and Dr. Mohamed Atwa.

Special Studies

The draft questionnaire for the first **SME survey** is final. The field pretest is planned for early February, EQI having received permission from CAPMAS to carry out the survey. Ender and team leader Tamer El-Meehy are planning for concurrent work on this survey and a second survey that will visit households to collect information on home-based SMEs and on the demand for SME goods and services.

Coordination and Collaboration

The four senior staff of the MVE Unit participated in an RDI-supported program run by Dr. Rollo Ehrich and Mr. Mike Samra to train new employees of MEFT/FTS (Foreign Trade Sector). MVE staff discussed the work of the Unit in data quality, monitoring and impact assessment.

COP Ender paid a visit to USAID's new division chief, Ms. Dawn Thomas, on December 6 to brief her on the work of the Unit.

PPC Activities

COP Dr. Gary Ender attended the PPC meeting on December 13, during which there was discussion of progress on benchmarks, transfer of funds, and other important issues.

Problems

The MVE Unit has only one reliable vehicle for field use. As MVE prepares for a final set of surveys in 2001, this is likely to become a serious constraint.

Proposed Actions

The Unit would appreciate assistance from the Mission and the PMU in obtaining a more suitable second vehicle; a minivan would be most suitable.

Progress - 3rd quarter highlights

Verification, Tranche IV

During this quarter, MVE staff continued work on verification of the tranche IV benchmarks. The team continued to collect relevant decrees and other evidence of accomplishment. Dr. Morsy took part in a meeting with exporters under the research/extension benchmark. He also participated in the MISD workshop that addressed issues that emerged during the first year of implementation, and discussed expansion of the program. Dr. Adel Mostafa attended the commodity council meetings in Borg El Arab, Alexandria and obtained the latest decree in this area, which may assist in the verification of benchmark D1. Dr. Holtzman attended the Rice Subcommittee Meeting of the ACC. Drs. Adel Mostafa and John Holtzman met with RDI staff to discuss progress in achieving the five Tranche IV horticulture-related benchmarks, namely D2, D3, D8, D9, and D13. They also participated in a meeting with RDI and PMU to review Tranche IV progress and further discuss the proposed Tranche V benchmarks. In late September, they visited the port in Alexandria to begin collection of data on dwell time of refrigerated containers in conjunction with benchmark D8. COP Dr. Gary Ender met with WPAU and EPIQ staff to discuss progress on all the water benchmarks.

Verification, Tranche V

MVE staff provided comments on the proposed benchmarks for tranche V. Holtzman and Mostafa took part in a discussion of proposed Tranche V benchmarks.

Impact Assessment

The **wheat short-term yield forecasting** team, under the guidance of Dr. Morsy, finished all of its field and writing work.

Dr. John Holtzman completed the draft of the **cotton spinners** survey report. One of the main objectives of the analysis is to determine what the relationship is between firm establishment and operation on the one hand and cotton subsector liberalization on the other hand. Holtzman is conducting the analysis in collaboration with Dr. Adel Mostafa. Sherif Fayyad is providing research assistance.

Holtzman also completed work on a summary update paper on **privatization and liberalization in the rice and cotton subsectors**, and the draft was to be circulated.

Holtzman and Mostafa made two field trips in September (to Benha and to Beni Suef and Fayoum) to assess the **seed cotton marketing** situation, prompted by new changes in the optional cotton marketing system and some new expected impacts. Interviews with five small traders and five large traders were also intended to provide input into the design of a possible sample survey of seed cotton buyers.

Monitoring

Work began on data collection and analysis for the next monitoring report.

Special Studies

Under the leadership of Tamer El Meehy and Nemat Guenena of EQI, the **SME survey** team continued to make progress in developing the survey approach, the sample frame, and sampling methods, and in questionnaire design. They received detailed comments and review from Drs. John Mellor and Sarah Gavian, as well from COP Gary Ender. The team also conducted an initial pre-test of the questionnaire, and revisions of the questionnaire contents and format based on this exercise are under way.

Coordination and Collaboration

MVE staff attended various APRP and other functions, including the GTZ meeting to discuss its future program. The COP met with EPIQ COP and senior staff to discuss impact assessment of water policy activities. Ender attended the USAID COP meeting with new Mission Director and Deputy Director.

Following the training program that began in June of this year, Dr. Morsy continued to work with senior MALR and GTZ staff to implement the recommendations of MVE's cotton short-term forecasting study. This year was the first year in which ministry personnel presented a scientifically derived estimate of seed cotton yield before the end of the season.

PPC Activities

In the COP's absence Dr. John Holtzman attended the August 6 PPC meeting, during which there was discussion of progress on benchmarks, transfer of funds, and other important issues.

Workplan

The MVE Unit's workplan for year 4 (2000) was approved by the CTO and the PPC. Submission for approval was delayed by negotiations on extension of the Unit's contract.

Home Leave

Drs. Ender and Holtzman took home leave during this quarter. Ender departed July 29 and returned to Egypt on September 5; Holtzman departed June 10 and completed home leave on July 20, returning to Egypt on July 28 after a week of disability leave.

Progress - 2nd quarter highlights

Verification, Tranche IV

During this quarter, MVE staff began work on verification of the tranche IV benchmarks. Drs. Gary Ender and Adel Mostafa met with HE the Minister of Supply and Home Trade and his staff to discuss the verification of the food security benchmarks. Providing evidence that there has been a reallocation of cards among poor households will be the primary challenge, since the Ministry does not usually maintain data of this sort. Dr. Adel visited Orabi mill in Zagazig, with a Ministry team headed by the Deputy Minister of Ministry of Supply and Home Trade as part of verification of benchmark E.1.

Dr. Adel interviewed Eng. Fawzy Shaheen, MALR Deputy Minister for the Seed Sector, to discuss developments in this sector and obtain data on the accomplishment of benchmarks D.5 and D.10. Dr. Adel also attended the Agricultural Commodity Councils workshop organized by RDI in Borg El Arab (Alexandria) as part of the verification efforts for benchmark D.1. The meetings and discussions in Borg El Arab were helpful in getting information both for the councils benchmark and others (D.2, D.3, D.8, and D.9).

Verification, Tranche V

MVE staff provided comments on and attended meetings to discuss the proposed benchmarks for tranche V in April, May (including the workshop in Sharm El Sheikh), and June.

Impact Assessment

Drs. Ronald Krenz and Adel Mostafa completed the **seed cotton marketing** report for **1999/2000**. Details were given in the previous progress report. Dr. Adel presented the results of this study and two others, the cotton ginning privatization case study and the cotton spinners study, at a major conference in Alexandria. The conference was attended by more than 100 representatives, including key individuals and experts from the ginning, spinning, weaving, and RMG industries, as well as domestic traders and exporters. Dr. Adel gave a Powerpoint-based presentation on each of the three studies, giving their objectives, findings, and recommendations. Discussion and questions after these presentations were vigorous.

The **New Lands data availability and quality** study, under the guidance of Dr. Morsy, was completed. The purpose of this study was to examine the types, quality and completeness of data now being collected on the New Lands, and to make recommendations on how to improve MALR's data collection system as it pertains to New Lands.

The basic conclusion of this study is that *current data on New Lands are biased and very incomplete*. They are biased because they are incomplete and also because they are not collected using statistical sampling. The data cover almost no squatters; the data also do not cover a substantial portion of large and small investors, perhaps the most productive farms. Relatively little of the New Lands are covered by cooperatives, villages or the existing administrative statistics system. Reliable data for policy analysis will have to be collected via primary sample surveys devoting a lot of time to preparation of an appropriate sample frame, at least until the MALR system for collecting data on New Lands can be expanded and strengthened or redesigned.

The year 2000 agricultural census, which is now underway, will for the first time create census reporting clusters that separate new and old lands and make it easier to adopt a definition of New Lands that is more suited to policy analysis. Summary analysis and publication of key stratification variables for each of the reporting clusters by the Economic Affairs Sector (EAS) could provide an excellent sample frame for a sampling approach to gathering data on the New Lands. Therefore, the census, through its sample frame, should provide the vehicle to complete coverage that is lacking in the current New Lands data.

The **cotton short-term yield forecasting** study, also under the direction of Dr. Morsy, was also completed and published. The study sets down the work of the team and its assessments, which are already being acted upon by the MALR. With assistance from GTZ and the MVE Unit, MALR revised its work program and carried out a major training program to upgrade cotton yield forecasts. As part of its support, the Unit supplied the MALR with numerous materials in Arabic, including forms and instructions.

The **wheat short-term yield forecasting** team, also under the guidance of Dr. Morsy, finished all of its field work. The team made a presentation of its results to APRP staff and other key individuals. The final study is in draft.

Dr. John Holtzman has completed most of the first draft of the **cotton spinners survey** report. One of the main objectives of the analysis is to determine what the relationship is between firm establishment/operation and cotton subsector liberalization.

Special Studies

Drs. Krenz and Mostafa completed the **cotton ginning privatization** case study. Details were given in the previous progress report. Dr. Adel presented a summary of this report at the cotton conference in Alexandria that is described above, under impact assessment.

Under the leadership of Tamer El Meehy and Nemat Guenena of EQI, the **SME survey** team continued to make progress in developing the survey approach, the sample frame, and sampling methods, and in questionnaire design. They received detailed comments and review from Drs. John Mellor and Sarah Gavian, as well from COP Gary Ender. Ender slowed the implementation of this activity temporarily when it was unclear what level of resources would be available during the extension. The proposed second phase of this activity is closely related to this first phase, and there might have been a need to restructure the current phase if sufficient resources were not available to carry out the second phase. With the conclusion of the budget negotiations and the inclusion of funds for phase II, the work is again under way.

Coordination and Collaboration

MVE staff attended various APRP and other functions, including the pest management workshop and the cotton conference. The COP met with a GTG consultant to discuss steering committees for like projects, and attended a presentation by the ALEB project.

PPC Activities

COP Dr. Gary Ender normally attends PPC meetings, during which there is discussion of progress on benchmarks, transfer of funds, and other important issues. There were no PPC meetings during this quarter (April 2 meeting was mentioned in the previous report).

Contract Extension

Abt Associates submitted its first proposal for the 27-month extension period (through September 30, 2002) on March 10, 2000. After further proposals were submitted, agreement was reached on the budget, and a modification of the contract was signed on June 29, 2000.

The modification provides limited additional funding to continue the work of the Unit. The existing team will be maintained in place through most of the duration of the extension, but the limited funds do not permit keeping the entire team in place through September, 2002. Funds for short-term technical assistance are even more limited. Whereas the original RFP for the extension called for a proposal to fund 100 additional person-months of local consultants and 25 additional person-months of expatriate consultants, the final modification incorporates about 29 additional person-months of local consultants and no additional person-months of expatriate consultants. During the period ending June 30, the Unit had some savings of expatriate LOE but had, with the Contracting Officer's permission, exceeded the 60 person-months of local consultants originally provided in the contract.

In preparing its proposals for the extension period, Abt Associates provided detailed breakdowns of the work that could be accomplished; each major item had its own complete budget. Thus the negotiations were able to proceed more easily by prioritizing the work that could be accomplished with the available funding. The work program agreed to covers the basic elements of verification, monitoring, and impact assessment. Because the extension period is the final period of the contract, Abt Associates laid out an ambitious plan to assess the impact of APRP. Unfortunately the funds available did not support this level of work, even though it was within the LOE given in the RFP for the extension. In lieu of this ambitious program, the Unit intends to complete its baseline/endline studies for four major commodities (cotton, wheat, rice, and fertilizer) and its studies of the employment impact of agricultural growth (inspired by, and with the participation of, Dr. John Mellor). Other activities will be few but should include a limited survey of farmers and a summary of benchmark accomplishments.

Activities that were excluded from the Unit's work program include assessments of the changes in the roles of the public and private sectors since reform began and the improved coordination between ministries, both of which are success stories for APRP. All assessment of impact in the area of water-related policies will be done by EPIQ/WPAU in the MWRI. An unfunded line in the MVE Unit contract modification allows for the Unit to conduct some additional unspecified studies (Special Studies) and a wrap-up conference should additional funds become available.

Workplan

The workplan for year 4 (2000) was redrafted in light of the changes in the resource level of the Unit that have been incorporated into the contract for the extension period.

Computers

All three of the new desktop computers that were ordered have been installed.

Progress - 1st quarter highlights

Verification, Tranche IV

The Unit prepared a tracking matrix for the PPC meeting based on consultations with the implementing units. The Verification Plan for tranche IV was drafted and discussed by the units. The PPC discussed the Verification Plan and approved it.

Impact Assessment

Dr. John Holtzman completed the **rice subsector update** study, and this was published by the Unit. Highlights were given in the previous quarterly report.

Holtzman and Dr. Adel Mostafa also completed a study comparing **seed cotton marketing** during the years **1997/98 and 1998/99**. This report was also published. The study found in part:

- ? Significant progress was made in 1998/99 in liberalizing cotton marketing in Egypt.
- ? The seed cotton marketing system in 1997/98 was essentially uncompetitive, as only one buyer was assigned to each PBDAC-run sales ring, the buyers had to accept all the seed cotton delivered to their rings, and prices were fixed, based on a MALR decree before the harvest.

Drs. Ronald Krenz and Adel Mostafa completed a final draft of the **seed cotton marketing** report for **1999/2000**. It was circulated for comment.

According to the report, some very positive results of liberalization and privatization in the Egyptian cotton markets were noted this season:

- ? The private sector share of seed cotton delivered to gins increased from 28 percent last season to about 38 percent this season.
- ? The cooperatives' market share of farmers' sales increased from 16 to 27 percent.
- ? Four spinners entered the seed cotton market. This was the first season since liberalization began that spinners have purchased seed cotton.
- ? Several new private trading firms entered the market and were allocated sales rings.
- ? 31 firms delivered cotton to gins this season, of which 18 were private.
- ? Concentration within the private sector was less than last season.
- ? A significant amount of discounting from fixed ginning charges was reported.
- ? Private traders provided most of the lint cotton for domestic spinners this season.

However, several negative findings also appeared:

- ? The number of small private traders/brokers who buy directly from farmers declined.
- ? On average, cotton growers had fewer buy offers from private traders.
- ? Very little price competition existed in the seed cotton market.
- ? Most of the PBDAC sales rings were reserved for public firms.
- ? Cotton exports declined relative to 1998/99, though sales of Giza 70 in the spring of 2000 are closing the gap.
- ? The private sector share of exports declined from 28 percent to only 18 percent this season; the number of private firms exporting lint declined from 11 to 8.

The **New Lands data availability and quality** team under the guidance of Dr. Morsy completed its field work and data collection in the previous quarter. Dr. Tom Zalla returned in January to work with the team to write the report and make a presentation.

The **cotton short-term yield forecasting** team under the direction of Dr. Morsy prepared a final draft of its report and circulated it for comment.

The **wheat short-term yield forecasting** team, also under the guidance of Dr. Morsy, prepared for the second visit of the expatriate consultant, T J Byram. It carried out extensive training of field workers. By the end of the expatriate's visit, the outline of the final report was agreed to by the team and assignments for contributions to that report were made.

The Unit began analysis of the **cotton spinners survey** data collected earlier, after deciding on meaningful classifications of firms. Several different groups of firms are included in the survey, including those with more and less modern technology, those established before and after APRP, and those spinning lint and waste. One of the main objectives of the analysis is to determine what the relationship is between firm establishment and operation on the one hand and cotton subsector liberalization on the other hand.

Monitoring

The Unit was determining the best time during the year to carry out an annual update of the monitoring report based on data availability. In the meantime, data that were available were entered into the monitoring database.

Special Studies

Drs. Krenz and Mostafa completed a final draft of the **cotton ginning privatization** case study. It has been circulated for comment and will be finalized after comments are received. According to the report:

- ? Only two of the five public ginning companies have been privatized, but major improvements in the ginning industry have resulted.
- ? Arabeya Ginning came under private control in October, 1996. After four years it has made major improvements in nine of its 12 gins.
- ? The Baraka gin, now owned by the Modern Nile Group, has been converted from a gin into a specialized cotton-exporting facility. This is a new service that was not previously available anywhere in the cotton industry.
- ? Competition in the ginning industry has improved since privatization.

Under the leadership of Tamer El Meehy and Nemat Guenena of EQI, the **SME survey** team made major progress. Intensive meetings were held during the visit of Dr. John Mellor. After field visits with Mellor, progress was made on developing the survey approach, the sample frame, sampling methods, and in questionnaire design.

During his visit to Egypt, **Dr. John Mellor** met with the Mission Director and made a 59-minute presentation at USAID entitled, “Solving the Employment Problem: The Non-Tradable Stepping Stone.” A summary of the presentation follows.

“It is generally acknowledged that the solution to the employment problem in Egypt lies in large part with the informal sector and small- and medium-scale establishments. That is because they represent such a large portion of the total labor force. They are located substantially in the rural areas and small towns of Egypt. Recent ILO publications make these points most carefully and forcefully. This large sector primarily produces goods and services that are non-tradable for reasons of high transaction costs, low quality of output, and low level of training and education of the labor force.

What is not recognized is that the primary source of effective demand for the employment-intensive, small-scale sector comes from rising farm incomes. Rising farm incomes provide a substantial increase in employment within agriculture. Far more important, they provide demand for the low-quality, non-tradable goods and services from the small-scale sector.

For at least the next 10 to 15 years agriculture and non-tradable non-farm production will be the critical components in the long-term transformation of the labor force. Rural children move first from agriculture to nearby low-skill jobs; from that they receive an incentive for more education; and then to better-paying jobs in the tradable sectors. The policy environment will determine the pace.”

Coordination and Collaboration

MVE staff met with the mid-term evaluation team on several occasions. MVE received a draft report of the team’s findings, which were favorable to MVE work and endorsed the MVE impact assessment program. The COP commented in writing on several points to USAID/Egypt.

PPC Activities

COP Dr. Gary Ender attended the PPC meeting during the quarter (April 2), during which there was discussion of progress on benchmarks, transfer of funds, and other important issues.

Contract Extension

Abt Associates submitted its proposal for the 27-month extension period (through September 30, 2002) on March 10, 2000.

Workplan

The workplan was drafted but will not be finalized until the contract extension has been signed. This will allow the Unit to understand fully what resources are available to implement the workplan.

Computers

The three new desktop computers that were ordered arrived; two were installed; installation of the third computer awaited the solution of certain printing problems on the 12th floor.

Monitoring, Verification, and Evaluation Unit - APRP			
October - December, 2000			
Total Level of Effort:		818	p/m
Total Estimated Cost: Main contract + Special Studies		\$7,290,492.00	
Total Estimated Cost: Main contract		\$6,927,920.00	
Total Estimated Cost: Special Studies		\$362,572.00	
Level of effort (October - December 00)	STTA	2.87	p/m
	LTTA	33.00	p/m
Cumulative LOE through	STTA	115.79	p/m
December 00	LTTA	442.74	p/m
Unused LOE:		259.47	p/m
Expenditures - Main Contract (Oct - Dec 00)		\$228,635.54	
Expenditures - Special Studies (Oct - Dec 00)		\$15,596.03	
Total Cumulative expenditures to date: Main contract		\$4,551,202.02	
Total Cumulative expenditures to date: Special Studies		\$200,461.63	
Total Cumulative expenditures to date: Entire contract		\$4,751,663.65	
Remaining unexpended balance:		\$2,538,828.35	

MVE Technical Publications

Verification

Verification Report Update, Agricultural Policy Reform Program, Tranche III: Policy Benchmarks for Accomplishment by June 30, 1999. Submitted by The Government of Egypt to The United States Agency for International Development, Cairo. With the technical assistance of the MVE Unit. Abt Associates Inc. September, 1999.

Verification Report, Agricultural Policy Reform Program, Tranche III: Policy Benchmarks for Accomplishment by June 30, 1999. Submitted by The Government of Egypt to The United States Agency for International Development, Cairo. With the technical assistance of the MVE Unit. Abt Associates Inc. July, 1999.

Verification Report Update, Agricultural Policy Reform Program, Tranche II: Policy Benchmarks for Accomplishment by June 30, 1998. Submitted by The Government of Egypt to The United States Agency for International Development, Cairo. With the technical assistance of the MVE Unit. Abt Associates Inc. August, 1998.

Verification Report, Agricultural Policy Reform Program, Tranche II: Policy Benchmarks for Accomplishment by June 30, 1998. Submitted by The Government of Egypt to The United States Agency for International Development, Cairo. With the technical assistance of the MVE Unit. Abt Associates Inc. July, 1998.

Verification Report, Agricultural Policy Reform Program, Tranche I: Policy Benchmarks for Accomplishment by December 31, 1997. Submitted by The Government of Egypt to The United States Agency for International Development, Cairo. With the technical assistance of the MVE Unit. Abt Associates Inc. March, 1998.

Verification Report, Agricultural Policy Reform Program, Tranche I: Policy Benchmarks for Accomplishment by June 30, 1997. Submitted by The Government of Egypt to The United States Agency for International Development, Cairo. With the technical assistance of the MVE Unit. Abt Associates Inc. July, 1997.

Morsy Aly Fawzy, Ahmed Qadery M. Bahloul, Mohamed A. Meselhi, Mohamed Sayed Saeed, and Usama Ahmed El Bahnasawi. **Producer Survey Results, APRP-Tranche I.** MVE Unit-APRP, Verification Report No. 6. Abt Associates Inc. Cairo, Egypt. March, 1998.

Daniell, Douglas. **Verification of Policy Benchmarks: Lessons Learned from Tranche I of APRP.** MVE Unit - APRP, Verification Report No. 5. Abt Associates Inc. Cairo, Egypt. October, 1997.

Ouðraogo, Isma?l S. and Abdel Rahim Ismail. **Progress and Obstacles in Rice Sector Liberalization in Egypt: A Rapid Appraisal to Verify Policy Benchmarks.** MVE Unit - APRP, Verification Report No. 4. Abt Associates Inc. Cairo, Egypt. October, 1997.

El-Santrecy, A. Abdel Sadek. **Reforms to the System of Cotton Pest Control in Egypt Under APRP.** MVE Unit - APRP, Verification Report No. 3. Abt Associates Inc. Cairo, Egypt. October, 1997.

El-Saadany, Rashad, Azza Emara and John S. Holtzman. **Tariff and Non-Tariff Barriers on Exports and Imports of Cotton Products.** MVE Unit - APRP, Verification Report No. 2. Abt Associates Inc. Cairo, Egypt. October, 1997.

Saad, Abdel-Hamid Youssef and Abdel Rahman Taryal. **Fertilizer Pricing and Distribution in Egypt.** MVE Unit - APRP, Verification Report No. 1. Abt Associates Inc. Cairo, Egypt. October, 1997.

Impact Assessment

Holtzman, John and Adel Mostafa, Ezz Eldin Abdel Kader, Nabil El Santricy, Sherif Fayyad. **The Impact of Privatization and Policy Reform on the Cotton Spinning Industry in Egypt.** MVE Unit - APRP, Impact Assessment Report No. 15. Abt Associates Inc. Cairo, Egypt. November, 2000.

Holtzman, John. **Liberalization and Privatization of Key Subsectors in Egypt's Agricultural Economy: Progress & Challenges.** MVE Unit - APRP, Impact Assessment Report No. 14. Abt Associates Inc. Cairo, Egypt. November, 2000.

Morsy A. Fawzy, Larry Pope, Rabie Amer, Ramzi Mubarak, and Mohamed E. Abdel Salam. **Short-Term Cotton Yield Forecasting in Egypt.** MVE Unit - APRP, Impact Assessment Report No. 13. Abt Associates Inc. Cairo, Egypt. July, 2000.

Zalla, Tom, Morsy A. Fawzy, Abdel Hamid Y. Saad, Yeldey Ishak, Mahmoud Riad, and Hussein M. El Noubi. **Availability and Quality of Agricultural Data for the New Lands in Egypt.** MVE Unit - APRP, Impact Assessment Report No. 12. Abt Associates Inc. Cairo, Egypt. June, 2000.

Krenz, Ronald D. and Adel Mostafa. **Seed Cotton Marketing in Egypt, 1999-2000.** MVE Unit - APRP, Impact Assessment Report No. 11. Abt Associates Inc. Cairo, Egypt. May, 2000.

Holtzman, John, Abdel Rahim Ismail and Sherif Fayyad. **Rice Subsector Baseline Update.** MVE Unit - APRP, Impact Assessment Report No. 10. Abt Associates Inc. Cairo, Egypt. December, 1999.

- Holtzman, John and Adel Mostafa. **Seed Cotton Marketing In Egypt: A Comparative Assessment of the 1998/99 and 1997/98.** MVE Unit - APRP, Impact Assessment Report No. 9. Abt Associates Inc. Cairo, Egypt. December, 1999.
- Goetz, Stephan J. **Assessment of 1997 Egypt Integrated Household Survey Data for Use in Constructing a Producer Level Baseline.** MVE Unit - APRP, Impact Assessment Report No. 8. Abt Associates Inc. Cairo, Egypt. December, 1999.
- Mellor, John W. and Sarah Gavian. **Determinants of Employment Growth in Egypt: The Dominant Role of Agriculture and the Rural Small-Scale Sector.** MVE Unit - APRP, Impact Assessment Report No. 7. Abt Associates Inc. Cairo, Egypt. December, 1999.
- Tyner, Wallace, B. Adair Morse, Ragaa El-Amir, Adel Mostafa, and Sherin Sherif. **Wheat Subsector Baseline Study.** MVE Unit - APRP, Impact Assessment Report No. 6. Abt Associates Inc. Cairo, Egypt. May, 1999.
- Holtzman, John, in collaboration with Adel Mostafa. **Cotton Subsector Baseline Study.** MVE Unit - APRP, Impact Assessment Report No. 5. Abt Associates Inc. Cairo, Egypt. December, 1998.
- Morsy A. Fawzy, Larry Pope, Yehia M. El-Din and Ghazal Amer. **Availability and Quality of Agricultural Data in Egypt.** MVE Unit -APRP Impact Assessment Report No. 4. Cairo, Egypt. December, 1998.
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- Zalla, Tom, Stephan Goetz, John Holtzman, Abdel-Hamid Youssef Saad, Morsy Aly Fawzy, Abdel-Rahim Ismail, Robert Young. **Plan for Assessing the Impact of Egypt's Agricultural Policy Reform.** MVE Unit - APRP, Impact Assessment Report No. 1. Abt Associates Inc. Cairo, Egypt. March, 1998.

Monitoring

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Krieger, Douglas J., Ali Assem F. Abdel Aziz, and Sherif M. S. Fayyad. **Growth and the Productivity of Inputs in Agriculture on Egypt's Old Lands: 1990 - 1997.** MVE Unit - APRP, Special Study No. 2. Abt Associates Inc. Cairo, Egypt. July, 1999.

Krenz, Ronald, William Breginc, Galal El-Rifai, Adel Mostafa, Nabil El-Sentrency and Mohammed Meselhi. **The Quality and Grading of Egyptian Cotton.** MVE Unit - APRP, Special Study No. 1 and CSPP Study No. 61. Abt Associates Inc. Cairo, Egypt. February, 1999.